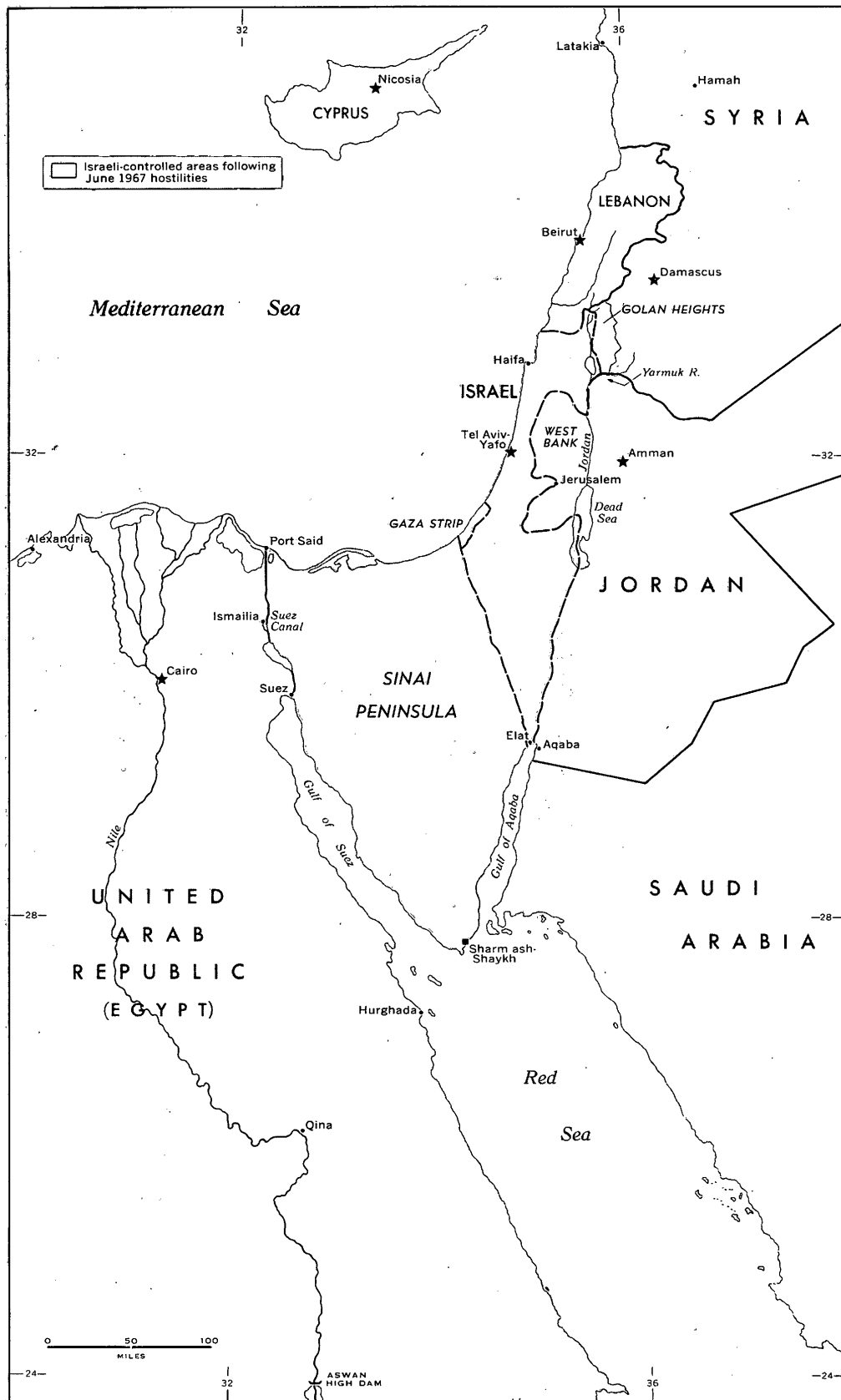


The President's Daily Brief

3 February 1969
(Afternoon)

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FOR THE PRESIDENT ONLY

4 February 1969

LATE NOTES FOR THE PRESIDENT'S DAILY BRIEF OF

3 FEBRUARY 1969

I. MAJOR PROBLEMS

MIDDLE EAST

The British have told the US UN Mission that the principal topic of discussion between U Thant and Foreign Secretary Stewart Saturday was the proposal for a four-power meeting. Thant made clear he favors the four-power consultations as a way of giving the Jarring mission fresh guidance and impetus.

Thant was dead set against his or Jarring's attendance at these sessions, since he thought neither could avoid being brought into the discussions. He feared this would undercut Jarring's status and make it impossible for the latter to continue. Thant was also lukewarm to Stewart's suggestion that in any event perhaps some UN "observer" could attend, although he did not rule it out completely.

EUROPE

There is nothing of significance to report.

SOVIET AFFAIRS

There is nothing of significance to report.

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VIETNAM

There is nothing of significance to report.

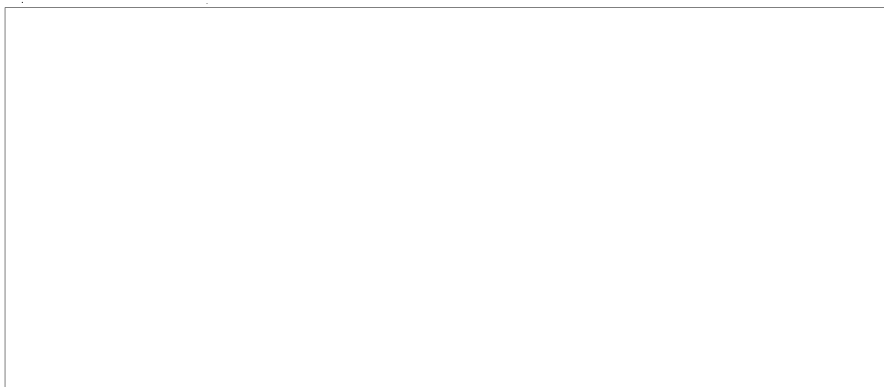
II. OTHER IMPORTANT DEVELOPMENTS

IRAN

The Shah is already trying to put pressure on the Consortium. The prime minister, at the Shah's instructions, has warned the ambassadors of the four countries (including the US) represented in the Consortium that unless the \$1 billion in oil revenues is forthcoming next year, Iran will pass legislation either depriving the Consortium of 50 percent of its interests or making "cost oil" available for marketing by the Iranian Government.

HUNGARY

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FOR THE PRESIDENT ONLY

I. MAJOR PROBLEMS

MIDDLE EAST

There is nothing to Radio Baghdad's claims of massive assaults on Iraqi positions in northern Jordan, but the almost daily Israeli overflights, both for purposes of reconnaissance and to keep the Arabs on edge, help keep tensions high. Occasionally, as was the case today, these overflights draw Iraqi antiaircraft fire.

[REDACTED] that this had happened, adding that two artillery positions had been knocked out by subsequent Israeli suppressive fire.

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In other areas along the Jordan River and in a remote area south of the Dead Sea the Israelis have again carried out limited retaliatory air strikes against terrorist positions.

EUROPE

There is nothing of significance to report.

SOVIET AFFAIRS

Tito's well-publicized visit to Rumania over the weekend indicates that neither he nor Rumania's Ceausescu have been entirely intimidated by the latest round of pressures from Moscow. We do not yet know much about what was discussed, and the communiqué issued by the two leaders is longer on atmospherics than on substance.

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Its careful avoidance of language needlessly antagonistic to the USSR shows their concern with the situation, however, and balances their "determination" to continue on an independent path. Perhaps the best guide to their thinking lies in the promise to deepen economic cooperation, a defensive hedge against more pressures from the USSR and its allies.

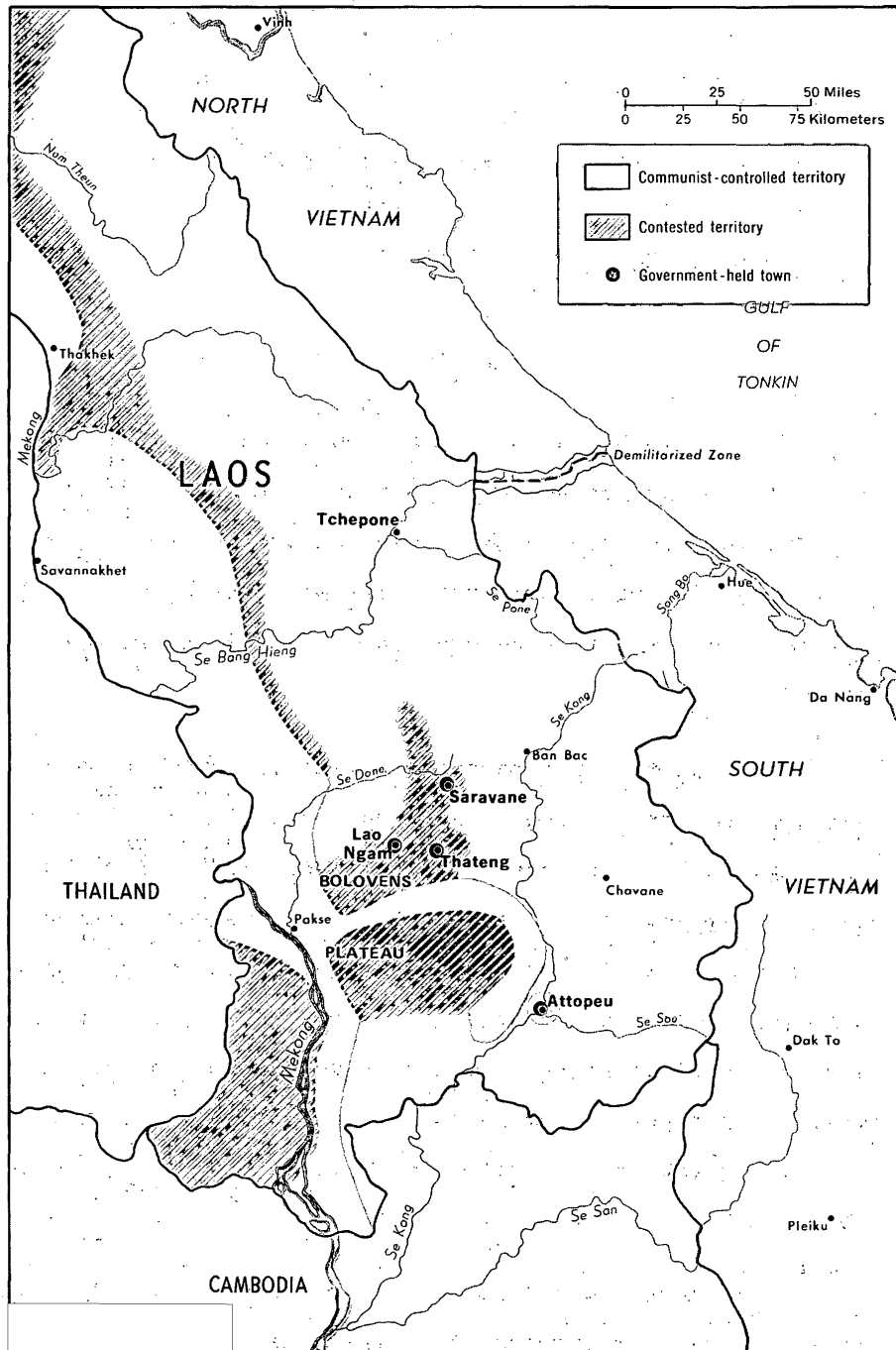
VIETNAM

There were no new developments over the weekend which point to any impending change in Communist tactics at the talks. There are some signs in recent statements by North Vietnamese leaders that they are somewhat uncertain over just how to proceed. Some of the leaders are evidently urging a major escalation in military activity in the hope of putting greater pressure on the US to take up political issues in Paris.

The politburo, however, cannot be certain of the reaction of the US to another Tet-like offensive or even a major assault somewhat short of last year's Tet effort. Some in Hanoi might argue that such an effort would stiffen the US attitude in Paris.

Current Communist military moves suggest that the enemy is trying to put himself into a position from which he can exercise a fairly wide range of options. These run from a major assault including at least limited sapper attacks and shellings of major urban centers, down to a continuation of the limited kind of action

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LAOS: Current Situation

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we have seen over the past several weeks. On balance, however, some sort of upsurge in enemy activity seems likely before Tet.

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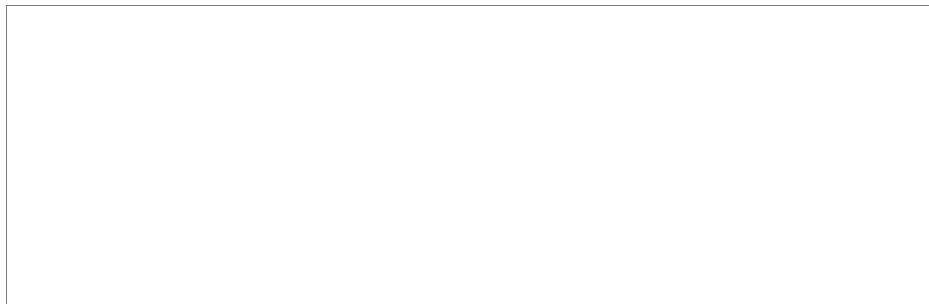
No major military activity has been reported today.

II. OTHER IMPORTANT DEVELOPMENTS

LAOS

North Vietnamese forces on Sunday renewed their attacks on the government base camp at Thateng. Although the 400-man garrison repulsed several ground probes, much of the base's barbed wire perimeter was destroyed. It is doubtful that the defenders could withstand an all-out assault.

While most of the recent fighting in southern Laos has centered on Thateng, there are continuing reports of an enemy buildup in other areas of the Bolovens Plateau.



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These latest developments are consistent with the traditional pattern of engagement in the area; probe and fall

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back; attack and withdraw. Nevertheless, the already slim resolve of government military commanders in the south is being eroded. Without significant reinforcements from other regions, they may abandon important positions to the Communists, including the politically sensitive provincial capitals of Saravane and Attapeu, and this in turn would shake the aging Souvanna's control of the situation.

IRAN

Iran's latest and most ambitious five-year plan, which only began last year, may already be in trouble because oil revenue for the next two years will be lower than anticipated. The plan had been based on expectations of sharply rising receipts from the western Consortium which markets most of Iran's oil. The Consortium (which includes a wide variety of the major companies) now predicts a \$7 million shortfall from a projected \$865 million in the Iranian treasury take this year and \$100 million shortfall next year.

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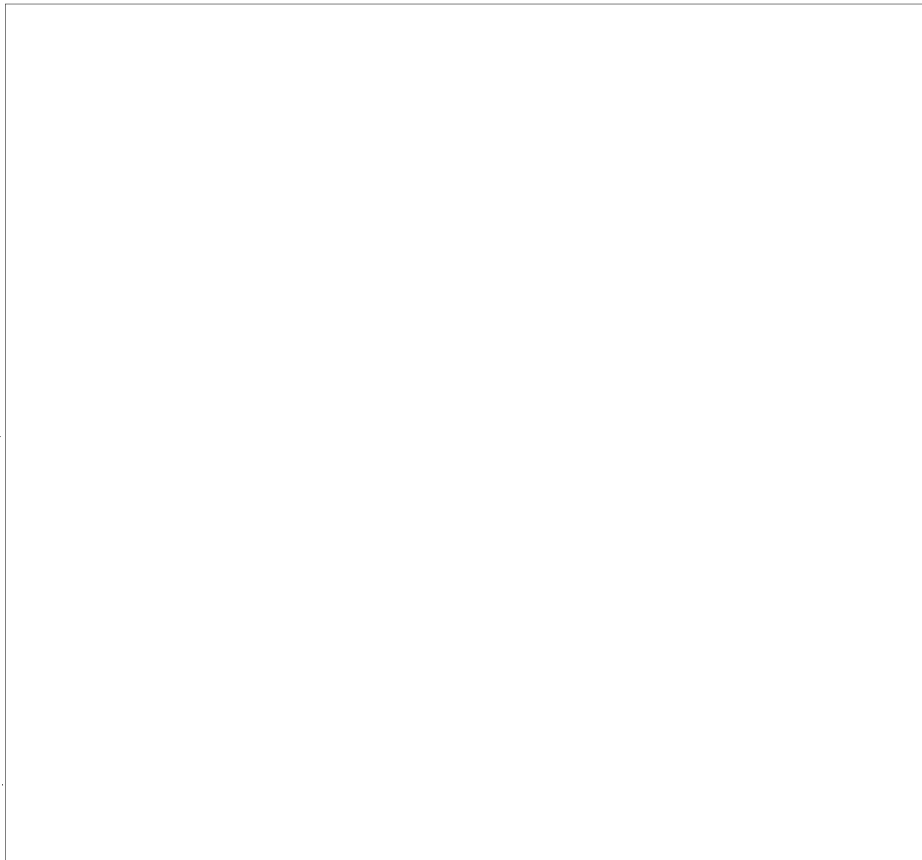
Because of current sluggishness in world demand for oil and because of the Consortium's heavy production commitments elsewhere, it will be hard put fully to meet the Shah's demands. For his part, the Shah can make a lot of noise and to some extent harass the Consortium, but his freedom of action is very limited.

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HUNGARY

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BRAZIL

The government has assumed more dictatorial powers. A new institutional act, signed on Friday, has stripped the Supreme Court of its powers in those areas most sensitive to Brazilian security forces--such as the right to review major decisions of military tribunals. The new decree also reduces the court from 16 to 11 members, and paves the way for governmental decision-making unhindered by judicial interference.

These moves will probably provoke only mild reaction.

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COMMUNIST CHINA

The Annex discusses prospects for the talks between
the US and Communist China in Warsaw later this month.

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PROSPECTS FOR THE WARSAW TALKS

SIGNIFICANCE: Peking is setting the stage for the next Sino-US meeting in Warsaw--now sixteen days away--with a heavy barrage of anti-American propaganda and a series of violent attacks on the President. It seems likely that the principal objective is to provide a hard-line "revolutionary" background against which the Chinese can resume diplomatic contact with the US, suspended since January 1968, with as little damage as possible to their claim that Communist China is the leader in the world struggle against "imperialism."

* * *

The official Chinese statement issued on 26 November, which set the date for the February meeting, touched off considerable speculation, in the press and elsewhere, that Peking might be considering a fundamental change in policy toward the US. This rested in large part on the reference to the "five principles of peaceful coexistence" in the context of Sino-US relations--the first such mention since 1964. The Chinese declared that agreement on these cryptic and ambiguous formulations was one of two fundamental requirements for progress in settling differences between Peking and Washington. (The other requirement is that the US must "get out of Taiwan.")

It now seems clear, however, that neither the language of the statement nor the Chinese decision to resume the talks had anything to do with a shift in Peking's attitude or intentions with regard to the US. The statement was

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issued in response to US action in publicizing postponement of the talks--put off by the Chinese for the second time in less than a year. It defensively portrayed the US as obstructionist and sought to present the Chinese as reasonable people willing to go ahead with efforts to work out long-standing problems. The decision to meet with US representatives again appears designed primarily to achieve objectives having little to do with Sino-US relations.

Peking is, of course, interested in probing the attitudes of the new administration. The proposal to hold the next (135th) meeting on 20 February specifically noted that by that time "the new US President will have been in office for a month, and the US side will probably be able to make up its mind." By seeming to take a somewhat more conciliatory position they probably hoped to test US intentions at minimum cost while at the same time preparing the way for new attacks on US alleged intransigence.

A more important Chinese objective is to refurbish Peking's international image, badly tarnished by the excesses of the Cultural Revolution and Red Guard diplomacy during the past three years.

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Last fall Peking reacted comparatively moderately to the Chinese setback in the UN. The Chinese condemned the organization in standard terms but did not disclaim interest in joining it, or threaten to

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sponsor a new "revolutionary" international body as they did in 1967.

Another probable Chinese objective in agreeing to resume the ambassadorial meetings is to put Peking in a better position with regard to the expanded talks in Paris. While urging the North Vietnamese [redacted] to avoid negotiations of any sort with the US the Chinese could hardly engage in discussions with US representatives in Warsaw. By November Peking apparently concluded that further resistance to the Paris negotiations was futile and decided to back off from a stand which would make it difficult if not impossible for the Chinese to take part in possible multilateral negotiations at a later date.

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These indications of tactical flexibility, however, do not appear to foreshadow any change in Peking's basic position. Nothing the Chinese have said or done suggests that they intend at this time to budge from the intransigent stand they have taken on basic issues ever since the talks began in 1955. Peking continues to insist that the US "withdraw" from Taiwan before other problems can even be discussed. It is possible that the Chinese may initiate some procedural maneuvers at the upcoming meeting, calculated to keep alive speculation that Peking intends to adopt a more moderate posture--particularly for the benefit of those states now considering recognition. Beyond this there is likely to be little substance in the Warsaw exchange.

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